

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02
CIEP-02 LAB-04 SIL-01 OMB-01 L-03 H-02 NSC-05 SS-15
STR-04 CEA-01 PA-02 PRS-01 AGRE-00 OES-06 INT-05 AF-08
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TO SECSTATE WASHDC 1579

UNCLAS SECTION 1 OF 2 SEOUL 0440

E.O. 11652: N/A

TAGS: ECON, KS

SUBJECT: ECONOMIC MINISTERS ANNOUNCE GOALS AND POLICIES FOR 1977

REF: A. SEOUL 0172, B. SEOUL 0414

SUMMARY: AT A JOINT NEWSCONFERENCE JANUARY 16 ROK ECONOMIC MINISTERS ANNOUNCED VARIOUS GOALS AND TARGETS FOR THE ECONOMY IN 1977. FURTHER GROWTH IN EXPORTS IS AGAIN TO LEAD ECONOMIC EXPANSION BUT PRICE STABILITY REMAINS A PRINCIPAL CONCERN TOGETHER WITH A STRONG EMPHASIS ON SOCIAL DEVELOPMENT. IN GENERAL THE MINISTERS' STATEMENTS WERE WELL RECEIVED BY THE LOCAL BUSINESS COMMUNITY. END SUMMARY.

1. TEN ECONOMIC MINISTERS HELD A JOINT NEWSCONFERENCE SATURDAY JANUARY 16 TO DISCUSS VARIOUS ECONOMIC GOALS AND POLICIES FOR 1977. IN ADDITION TO RE-AFFIRMING MAJOR TARGETS (10 PERCENT REAL GROWTH, 10 PERCENT MAXIMUM RISE IN PRICES AND \$10 BILLION EXPORTS - SEE REF A), THE MINISTERS TOOK THE OCCASION TO RULE OUT ANY POSSIBLE DEVALUATION OF THE WON IN RELATION TO THE DOLLAR. FINANCE MINISTER KIM YON-HWAN POINTED OUT THAT KOREA'S FAVORABLE BALANCE OF PAYMENTS IN 1976 AND IMPROVING TERMS OF TRADE MADE SUCH A STEP UNNECESSARY. THERE HAS BEEN SOME UNCLASSIFIED

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SPECULATION RECENTLY ON A POSSIBLE DEVALUATION BECAUSE OF POOR PROFIT MARGINS IN EXPORT INDUSTRIES. (REF B).

2. ECONOMIC PLANNING MINISTER AND DPM NAM EMPHASIZED PRICE STABILITY AS A "TOP CONCERN" AND NOTED THAT WHILE THIS TARGET PRESENTS SOME DIFFICULTIES IT COULD BE ACHIEVED. MONEY SUPPLY IS TARGETED TO GROW AROUND 25 PERCENT COMPARED WITH THE 30.5

PERCENT REGISTERED IN 1976. NAM ALSO DISCLOSED THAT A TOTAL OF \$685 MILLION IN FOREIGN CURRENCY LOANS, PRINCIPALLY FROM THE GOVERNMENT, WOULD BE MADE AVAILABLE FOR IMPORTS OF PLANT AND EQUIPMENT IN ORDER TO EXPAND EXPORT PRODUCTION FACILITIES. (THIS IS A SIGNIFICANT INCREASE ABOVE THE \$275 MILLION PREVIOUSLY PROPOSED IN LATE 1976). FOREIGN CURRENCY RESERVES AT YEARS END HAD REACHED AN ALL TIME HIGH OF \$2,940 MILLION.

3. THIS YEAR'S SAVING'S TARGET WILL BE 1,600 BILLION WON UP FROM LAST YEAR'S TARGET OF 1,000 BILLION. NAM SAID THAT DOMESTIC SAVINGS WOULD SUPPLY 91 PERCENT OF KOREA'S INVESTMENT NEEDS AND THAT THE SAVINGS RATE WOULD RISE TO 23 PERCENT. IN PREPARATION FOR THE VALUE ADDED TAX SYSTEM, SCHEDULED TO GO IN TO EFFECT JULY 1, NAM SAID A SURVEY OF THE PRICE IMPACT ON 1000 ITEMS WOULD BE SURVEYED. HE ALSO SAID THAT THE GOVERNMENT WOULD TIGHTEN ITS CONTROL OVER 100 MAJOR COMMODITIES IN ORDER TO MAINTAIN PRICE STABILITY. THE GOVERNMENT ALSO INTENDS TO MAINTAIN STRICT CONTROL OVER 17 IMPORT ITEMS INCLUDING CRUDE OIL AND SUGAR.

4. TO ASSIST EXPORT INDUSTRIES THE GOVERNMENT INTENDS TO INCREASE MEDIUM AND LONG TERM EXPORT CREDITS TO 260 BILLION WON (\$537 MILLION). IN 1976 THE ROKG SUPPLIED 53.3 BILLION WON (\$110 MILLION). CREDITS WILL BE AVAILABLE FOR SHIPS, PRODUCTION PLANTS AND HEAVY AND CHEMICAL INDUSTRIES. TARGETS FOR CONSTRUCTION EXPORTS HAVE BEEN SET AT \$3.1 BILLION (ACTUAL 1976 EQUAL \$2.5 BILLION) WHILE THOSE FOR EARNINGS FOR TRANSPORTATION AND TOURISM WERE SET AT \$190 MILLION AND \$330 MILLION, RESPECTIVELY. OTHER EFFORTS TO PROMOTE EXPORTS WILL INCLUDE A COMPRE-

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HENSIVE SURVEY TO DETERMINE THE COMPETITIVENESS OF EXPORT INDUSTRIES AND DIPLOMATIC EFFORTS TO DEVELOP MARKETS IN AFRICA AND SOUTH AMERICA.

5. DOMESTICALLY, EMPHASIS WILL BE ON SOCIAL DEVELOPMENT. MINISTER OF AGRICULTURE AND FISHERIES CHOI GAK-KYU SAID THE FOOD SELF SUFFICIENCY RATE WILL RISE IN 1977 TO 79 PERCENT FROM 75 PERCENT IN 1976. HE ALSO PROMISED THAT THERE WOULD BE NO GOVERNMENT APPROVAL FOR PRICE RISES FOR AGRICULTURAL CHEMICALS INCLUDING FERTILIZERS. CONSTRUCTION OF STATE RUN WAREHOUSES FOR GRAIN STORAGE WOULD GET UNDER WAY.

6. THE MINISTER OF HEALTH AND SOCIAL AFFAIRS REPORTED THAT THE MEDICAL INSURANCE PROGRAM WILL GO INTO EFFECT JULY 1 AND THAT A NEW MEDICAL AID PROGRAMS FOR NEEDY PEOPLE WAS PUT INTO EFFECT ON JANUARY 1, 1977. HE ALSO NOTED THAT THE GOVERNMENT WILL INCREASE SURVEILLANCE OF LOW-WAGE PAYING COMPANIES BUT THAT IT WOULD NOT INTERFERE TO THE DETRIMENT OF INDUSTRY'S COMPETITIVENESS. THE MINISTER OF CONSTRUCTION PROMISED THAT

200,000 DWELLING UNITS AT A COST OF 535.1 BILLION WON WOULD
BE BUILT THIS YEAR. OF THIS THE GOVERNMENT WOULD SUPPLY 131.8
BILLION WON FOR 75,000 UNITS.

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7. THE MINISTER OF COMMERCE AND INDUSTRY, CHANG YIE-JOON
SAID THAT NOTHING WORTH REPORTING TO THE PUBLIC HAD HAPPENED
IN THE OIL EXPLORATION NOW GOING ON ONSHORE AT POHANG.
HE ADDED THAT THE ROKG FULLY EXPECTED THE JAPANESE DIET TO
RATIFY THE CONTINENTAL SHELF JOINT DEVELOPMENT TREATY IN THE
FIRST HALF OF 1977 AFTER WHICH THE ROKG AND THE KOREAN AMERICAN
(KOAM) CO. WOULD IMMEDIATELY GO AHEAD WITH EXPLO-
RATION ACTIVITIES IN THE SEVENTH EXPLORATION BLOC OFF CHEDU-DO
ISLAND. MINISTER WITHOUT PORTFOLIO MIN BYONG-GWAN CALLED FOR
ENERGY SAVING ON OIL AND
ELECTRICITY BY 10 PERCENT.

8. OTHER TARGETS ANNOUNCED FOR 1977 INCLUDE THE INSTALLATION
OF 256,000 TELEPHONES (184,000 URBAN AND 71,200 IN RURAL
AREAS) AND, TO IMPROVE INTERNATIONAL COMMUNICATION, 75 NEW
TELEGRAPH LINES, 60 LINES OF SEMI-AUTOMATIC INTERNATIONAL
TELEPHONES AND 80 AUTOMATIC TELEX LINES. TRANSPORTATION MINISTER
CHOI KYUNG-NOK ESTIMATED VOLUME OF RAIL TRANSPORT WOULD INCREASE
8 PERCENT FOR PASSENGERS AND 12 PERCENT FOR CARGO (48 MILLION TONS).
THE CONSTRUCTION OF DOUBLE TRACKS ON THREE MAJOR LINES WILL
BE EXPEDITED. MINISTER CHOI ESTIMATED THAT ABOUT 60 MILLION TONS
OF EXPORT-IMPORT CARGO WOULD BE TRANSPORTED ON KOREAN CONTROLLED
SHIPPING DURING THE YEAR.

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9. ACCORDING TO PRESS ACCOUNTS THE REMARKS OF THE MINISTERS WERE WELL RECEIVED BY THE BUSINESS COMMUNITY, BUT THAT THE LATTER FELT HOLDING PRICES BELOW 10 PERCENT WOULD BE "DIFFICULT TO ACHIEVE". THE KOREA CHAMBER OF COMMERCE AND INDUSTRY CALLED FOR INCREASED SUPPORT FOR EXPORT INDUSTRIES TO INCREASE THEIR COMPETITIVENESS. THEY ALSO COMMENTED THAT THEY FELT THE SAVINGS GOAL WAS "UNREALISTIC". THE KOREA TRADERS ASSOCIATION ISSUED A STATEMENT THAT SAID THE EXPORT GOALS FOR 1977 WOULD REQUIRE FUTHER TRAINING OF TECHNICAL MANPOWER AND EXPANSION OF MEDIUM AND LONG TERM EXPORT CREDITS. THE KTA ALSO CALLED FOR EXPORTERS TO COMBINE THEIR EFFORTS TO OVERCOME TRADE BARRIERS. THE FEDERATION OF KOREAN INDUSTRIES ADVOCATED CLOSE COOPERATION BETWEEN THE GOVERNMENT AND THE PEOPLE FOR THE ATTAINMENT OF A STABLE ECONOMY.

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Message Attributes

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